

## Message Text

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ACTION EUR-12

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FM AMEMBASSY BUCHAREST

TO USDOC WASHDC

INFO:RUDHKO/AMEMBASSY TOKYO 094

SECSTATE WASHDC 030

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E.O. 11652: N/A

TAGS: BEXP, RO, JA

SUBJECT: WEST EUROPEAN AND JAPANESE COMPETITION FOR  
ROMANIAN PROJECTS

REF: A) USDOC WASHDC 16128; B) TOKYO 3760; C) TOKYO 15321

1. IN RECENT MEETING WITH DEP. PRIME MINISTER AND MINISTER OF FOREIGN TRADE PATAN, AMBASSADOR ASKED IF U.S. COMPANIES WERE LOSING CONTRACTS FOR MAJOR ROMANIAN PROJECTS SUCH AS TWO HIGH-DENSITY POLYETHYLENE PLANTS AND ONE POLYPROPYLENE PLANT BECAUSE OF HIGHER COST OF U.S. CREDITS. PATAN REPLIED THAT CREDIT TERMS HAD BEEN SECONDARY CONSIDERATION; U.S. COMPANIES HAD LOST CONTRACTS BECAUSE THEIR BIDS WERE MUCH HIGHER (UP TO 40 PERCENT MORE) THAN THOSE OF JAPANESE FIRMS. MORE SOPHISTICATED TECHNOLOGY OFFERED BY U.S. FIRMS NOT ENOUGH TO OFFSET THEIR SUBSTANTIALLY HIGHER PRICE.

2. CONCERNING MARCH 29, 1976 SUPPLIER CREDITS, BOTH JAPANESE AMBASSADOR AND COMMERCIAL COUNSELOR PROVIDED US WITH INFO ALONG LINES MENTIONED REFTEL C. DIFFERENCES ARE: AMOUNT - \$300 MILLION RATHER THAN \$330 MILLION; PAYBACK PERIOD - EIGHT YEAR MAXIMUM, WE NOT CLEAR, HOWEVER, IF THIS PERIOD BEGINS WITH INITIAL DOWN PAYMENT OR WITH FIRST PAYMENT WHEN EQUIPMENT SHIPPED. ACCORDING COMMERCIAL COUNSELOR THIS CREDIT DOES NOT HAVE LIMITS

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FOR INDIVIDUAL INDUSTRY SECTORS.

3. ON 1974 SUPPLIER CREDIT, JAPANESE AMBASSADOR CONFIRMED \$120 MILLION FIGURE (REFTELS B & C); JAPANESE COMMERCIAL COUNSELOR TOLD COMATT THAT 98 PERCENT OF THIS CREDIT HAS NOW BEEN AUTHORIZED.

4. JAPANESE-ROMANIAN TRADE IS DOWN 30 PERCENT IN FIRST SIX MONTHS OF 1976 COMPARED WITH SIMILAR 1975 PERIOD; HOWEVER, JAPANESE STILL ENJOY COMFORTABLE TRADE SURPLUS WITH ROMANIA. JAPANESE FIGURES FOR FIRST SIX MONTHS SHOWED \$65 MILLION WORTH OF EXPORTS TO ROMANIA WITH ONLY \$31 MILLION WORTH OF IMPORTS FROM ROMANIA.

5. COMMENT: FROM OUR DIRECT KNOWLEDGE WE HAVE NO REASON TO QUESTION DEP. PRIME MINISTER PATAN'S ASSERTION THAT PRICE WAS DETERMINING FACTOR IN LOSS BY OUR FIRMS OF HIGH-DENSITY POLYETHYLENE AND POLYPROPYLENE CONTRACTS (ALTHOUGH WE ARE SKEPTICAL THAT JAPANESE OFFER WAS 40 PERCENT LOWER THAN ANY U.S. BID ON THESE PROJECTS.) WE REMAIN FEARFUL, NONETHELESS, THAT MORE ATTRACTIVE WE AND JAPANESE FINANCING WILL ONE DAY SOON CAUSE U.S. COMPANIES TO BE DENIED CONTRACT ON WHICH THEY OTHERWISE COMPETITIVE. UNFORTUNATELY, GIVEN ROMANIAN SECRETIVENESS, WE ARE NOT AT ALL SURE WE WILL KNOW, PARTICULARLY IF OUR COMPETITORS ARE CIRCUMVENTING GENTLEMAN'S AGREEMENT.

6. REPORT THAT ROMCHIN WAS STILL NEGOTIATING WITH AMOCO AND DART AFTER HAVING CONCLUDED CONTRACT WITH MITSUI (ASSUMING EFFECTIVE DATE WAS DATE OF SIGNATURE OR LATER) IS MOST DISTURBING. IF USDOC/FIRMS HAVE FIRST-HAND DOCUMENTARY EVIDENCE WHICH WE CAN PRESENT TO ROMCHIN, WE WOULD BE HAPPY TO SEEK CLARIFICATION. IN ONE OTHER MAJOR INSTANCE WHERE WE SUSPECTED ROMANIANS OF USING BIDS BY U.S. FIRMS TO IMPROVE TERMS OFFERED BY PREFERRED FOREIGN BIDDER (BAC/BOEING/MCDONNELL-DOUGLAS COMPETITION), ROMANIANS WERE ABLE TO OFFER EXPLANATION WHICH WE COULD NOT DISPUTE.  
BARNES

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